

QUARTERLY ACTIVITIES REPORT FOR PERIOD ENDED 31 DECEMBER 2017

Highlights:

- Kupang Smelting Hub Facility civil works program underway with pouring of concrete foundations and additional site works commenced
- Environmental Approval (UPL-UKL) and Building Permit (IMB) received for development of Kupang Smelting Hub
- Main components of smelter refurbishment program in South Africa finalised with shipment to Kupang scheduled for Q1 2018
- Power supply secured for Kupang Smelting Hub operations
- Rental terms finalised for Bolok Estate – five years' rent paid in advance
- Completed capital raising with receipt of final A\$1.5m funding tranche
- Exclusive rights secured to undertake due diligence on high-grade Timorese manganese mine

Gulf Manganese Corporation Limited (ASX: GMC) ("Gulf" or "the Company") is pleased to provide shareholders with its Quarterly Activities Report for the period ended 31 December 2017.

Kupang Smelting Hub Project Overview

Gulf is focused on developing a ferromanganese smelting business in West Timor, Indonesia to produce and sell medium and low carbon ferromanganese alloy.

The Kupang Smelting Hub facility will contain eight furnaces built in stages over five years, targeting the production of a premium quality 78%+ manganese alloy.

At full production, Gulf will aim to purchase and process 320,000 tonnes of manganese ore per annum, producing circa 155,000 tonnes of premium quality ferromanganese alloy.

December Quarter Development Milestones

Rental Terms for Bolok Industrial Estate Secured

On November 15, the Company finalised rental terms for the Bolok Industrial Estate Land Lease which covers the initial 10 hectares of the 35 hectare project site to be used for the development of the Kupang Smelting Hub Facility. As part of the agreement, the Company's wholly-owned subsidiary PT Gulf Mangan Grup ("PT Gulf") paid five years' rent in advance to the Government of East Nusa Tenggara Province.



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The signing of the Bolok Industrial Estate Land Lease agreement on 1 June 2017 was followed by a formal signing ceremony with the Governor of East Nusa Tenggara Province and PT Gulf on 14 November 2017 (see Figures 1&2 below).



Figures 1 & 2: Formal signing ceremony held at the Governor of East Nusa Tenggara Province offices in Kupang, West Timor

Gulf Receives Environmental Licence Approval & IMB Licence

Further to the Governor of NTT approving the commencement of construction at Bolok Industrial Estate in September 2017 pending the finalisation of the necessary licences, these have all now been received.

The first was the UKL-UPL confirming Gulf's compliance with the Bolok Estate Environmental Licence (AMDAL) for the development of the Kupang Smelting Hub Facility from the Environment Department of the Provincial Government Kupang.

The verification process for the Kupang Smelting Hub environmental monitoring and reporting license was successfully completed following an extensive review by the Environmental Department of the Provincial Government, with the resulting certification (UKL-UPL) received from the provincial government offices in Kupang on 17 January.

Gulf also received the full Building Permit (IMB) on 22 December 2017, which together with the Environmental License, completes the necessary permitting required for construction of the smelting hub.

Kupang Smelting Hub Facility Construction Update

The Kupang civil works program commenced shortly after the issuing of the IMB. Key activities such as excavating the box cuts and pouring of the concrete levelling slabs are now complete. The civil works are on-track to align with manufacturing and delivery of the smelter building in Q1 2018.



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The building and support infrastructure is being constructed by the Weltes Group of Surabaya. The steel is currently being prefabricated in Surabaya and will be shipped to Kupang in Q1 2018.

Some delays were experienced during the pouring of the concrete foundations due to heavy rainfall through December and into January. Rainfall has now reduced and these delays are not expected to significantly impact the development timeline.



Figure 1: Concrete foundations for the Smelting Hub at Bolok Industrial Estate

Power Supply

PT Gulf Mangan Grup executed a further Memorandum of Understanding (“MoU”) with PT PLN (“Persero”) East Nusa Tenggara Region to provide up to 20 MVA electrical power supply at Kupang, which is now being finalised into an operating agreement.

Smelter Refurbishment Update – Pretoria, South Africa

The refurbishment of the furnace equipment in South Africa has now been largely completed, with only the transformers outstanding. The units are now containerised and ready for shipment to Kupang.

The final step of the refurbishment program is the rewinding of the furnace transformers which is expected to be completed during February. Gulf is now working to finalise shipping arrangements with the furnace equipment expected to depart Durban for Kupang in February.

The Master List required for importing the smelters has now been approved and the Company shipping agent and customs officers are currently en-route to South Africa to finalise the shipment of the units. The units will be shipped directly to the Tenau Port at Kupang which is approximately 5km from the Bolok Site.



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Due Diligence Underway on Timorese Manganese Mine

On December 21, the Company advised that it has commenced due diligence on a previously operating manganese mine in Timor East Nusa Tenggara.

The mine has a Production Operation Mining Business License issued in respect to the mining concession, which comprises 1007 hectares in North Central Timor, East Nusa Tenggara Province. The concession is certified Clean & Clear, confirming that ownership and other legalities have been verified by the Government and the production of manganese ore is approved.

As with almost all manganese mines in Indonesia, the mine has been dormant since the introduction of bans on the export of un-processed ore from Indonesia since 2013. High grade manganese ore was reportedly produced from the mine prior to the bans, however with almost all Indonesian manganese mines, there is currently no JORC compliant resource statement.

Gulf will exclusively conduct due diligence on the concession up to April 30, 2018. The potential acquisition would support the secure supply of high-grade manganese ore to the Kupang Smelting Hub.

Licence to Ship Manganese Concentrate (DSO)

Discussions to obtain the necessary permitting to enable the commencement of the sale and shipment of manganese concentrates (>49% Mn) (DSO) from Kupang are still progressing.

Corporate Activity Update

Completion of Capital Raising

On November 1, the Company advised that it received the final A\$1,500,000 tranche from sophisticated investors committed under the Company's previously reported A\$12,000,000 capital raising (see ASX announcement dated 23 June 2017).

The receipt of the A\$1,500,000 tranche completed the A\$4,000,000 committed by this sophisticated investment group in June 2017. As previously advised, funds were deployed towards the completion of the smelter refurbishment program in South Africa and on the shipment of the Company's first two smelting furnaces to Kupang.

Controlled Placement Agreement

In December 2017, the Company entered into a Controlled Placement Agreement (CPA) with Acuity Capital. The CPA provides Gulf with up to \$5 million of standby equity capital for a 2 years period. Importantly, Gulf retains full control of all aspects of the placement process, having sole discretion as to whether or not to utilise the CPA, the quantum of issued shares, the minimum issue price of shares and the timing of each placement tranche (if any). There are no requirements on Gulf to utilise the CPA and Gulf may terminate the CPA at any time, without cost or penalty. Acuity Capital and the CPA do not place any restrictions at any time on Gulf raising capital through other methods.

If Gulf does decide to utilise the CPA, Gulf is able to set a floor price (at its sole discretion) and the final issue price will be calculated as the greater of that floor price set by Gulf and a 10% discount to a Value Weighted Average Price (VWAP) over a period of Gulf's choosing (again at the sole discretion of Gulf).



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As collateral for the CPA, Gulf has agreed to place 125m shares from its LR7.1 capacity, at nil consideration to Acuity Capital (Collateral Shares) but may, at any time, cancel the CPA and buy back the Collateral Shares for no consideration (subject to shareholder approval).

Exercise of Options and Vesting of Performance Rights

During the quarter, a total of 124,199,000 shares were issued following the exercise of listed options (GMCO) at 0.5 cents each expiring 21 April 2019. A total of \$620,995 was raised from the issue.

During the quarter some 34,000,000 shares were issued following the vesting of Performance Rights as per below:

Vesting Conditions	No of Performance Rights
Completion of MoU with manganese suppliers	17,000,000
Completion of 60% offtake agreement for 1st and 2nd smelter	17,000,000
TOTAL	34,000,000

Following shareholders approval on Gulf's Annual General Meeting on 21 November 2017, 198,695,000 Performance Rights were issued to Directors and Employees under the Company's Long Term Incentive Plan (LTI). In accordance with the LTI, the Company's Total Shareholder Return (TSR) for the financial year ended 30 June 2017 against the Comparator Group of companies was above the 70th percentile and the first equal tranche of the LTI Performance Rights have vested, resulting in 68,481,664 shares being issued.

Management Commentary

Gulf's Managing Director, Hamish Bohannan, commented:

"The December quarter was largely focused on completing the necessary steps to start construction. Early approval by the Governor of NTT allowed construction to commence in September, whilst documentation was being finalised.

"Despite a good wet season, construction is largely on track for completion in the first half of 2018, with civils well underway and steel work to commence on site in Q1 2018.

"With work in South Africa being essentially complete and our two furnaces expected to arrive on site this quarter, Gulf is entering an exciting stage in its development.

"I would also like to again thank our shareholders and partners for their continued support and we look forward to 2018 with much optimism."

-ENDS-



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About Gulf Manganese Corporation (ASX: GMC):

Gulf's strategy is to develop an ASEAN focused manganese alloy business based in Kupang, West Timor, taking advantage of the low operational and ore costs, combined with modest power costs. Targeted production will be a premium quality 78% ferromanganese alloy resulting from the unique qualities of the Indonesian high grade (greater than 50%) low impurity manganese ore.

